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SECURITY AGREEMENT

THIS AGREEMENT is made this 27th day of December, 1994, between Waterford East, Inc., an Illinois Corporation, 2929 Central, Evanston, Illinois 60201 (herein called "Assignor"); and NBD Bank, 211 South Wheaton Avenue, Wheaton, Illinois 60187 (herein called "Bank");

WITNESSETH:

Whereas, it is contemplated that the Assignor may from time to time request loans, advances, or other financial accommodations from the Bank; and that the Bank may, at its election, comply with any such requests, in whole or in part;

Now, therefore, for and in consideration of any loan, advance, or other financial accommodation (including any loan or advance by renewal or extension) heretofore or hereafter made to the Assignor by the Bank; and for other good and valuable consideration, the parties hereto agree as follows:

1. Definitions. When used herein, the following terms shall have the following meanings:

"Note" shall mean that certain Installment Business Loan Note of the Assignor, in the amount of \$626,250.00, dated December 27, 1994 and due July 1, 1995, and any other promissory note of the Assignor evidencing any loan or advance made by the Bank to the Assignor;

"Liabilities" shall mean all obligations of the Assignor under any Note; all obligations of the Assignor hereunder, and all other obligations, including obligations incurred under applications for Letters of Credit, of the Assignor to the Bank, its successors and assigns, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due;

"Purchase Agreement(s)" shall mean each Waterford East, Inc. Condominium Purchase Agreement by and between the Assignor as Seller thereunder and the Contract Debtor(s) identified as Purchaser(s) thereunder, which Purchase Agreements are more fully detailed in Exhibit "A" hereof;

"Sums Receivable" shall mean any right of the Assignor to any payments attributable to the Purchase Agreement(s);

"Contract Debtor(s)" shall mean the Purchasers obligated on or under Purchase Agreement to make payment of any Sums Receivable;

"Collateral" shall mean all property or rights in which a security interest is granted hereunder;

"Obligor" shall mean the Assignor and each other party primarily or secondarily liable on any Note or any of the other liabilities;

"Default" shall mean the occurrence of any of the following events: (i) termination of a Purchase Agreement whether or not attributable to the nonperformance of any agreement of the Assignor contained therein; (ii) nonpayment, when due, of any amount payable by the Assignor or any guarantor of any Liabilities ("Guarantor") under any agreement or instrument evidencing debt to any creditor; (iii) the Assignor or any Guarantor (i) fails to observe or perform any other term of this agreement or the Notes; or (ii) makes any materially incorrect or misleading representation, warranty, or certificate to the Bank; or (iii) makes any materially incorrect or misleading representation in any financial statement or other information delivered to the Bank; or (iv) defaults under the terms of any agreement or instrument relating to any debt for borrowed money (other than borrowings owing to the Bank) such that the creditor declares the debt due before its maturity; (v) the Assignor or any Guarantor defaults under the terms of any loan agreement, mortgage, security agreement or any other document submitted to the Bank, or any guaranty of the liabilities of the Assignor to the Bank is revoked or becomes unenforceable in whole or in part; or any Guarantor fails to promptly perform under such a guaranty; (vi) a "reportable event" (as defined in the Employee Retirement Income Security Act of 1974 as amended) occurs that would permit the Pension Benefit Guaranty Corporation to terminate any employee benefit plan of the Assignor or any affiliate of the Assignor; (vii) the Assignor or any Guarantor becomes insolvent or unable to pay its debts as they become due; (viii) the Assignor or any Guarantor (i) makes an assignment for the benefit of creditors; (ii) consents to the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (iii) commences any proceeding under any bankruptcy, reorganization, liquidation or similar laws of any jurisdiction; (h) a custodian, receiver or trustee is

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appointed for the Assignor or any Guarantor or for a substantial part of the Assignor's or Guarantor's assets without the consent of the party against which the appointment is made and is not removed within 60 days after such appointment; (i) proceedings are commenced against the Assignor or any Guarantor under any bankruptcy, reorganization, liquidation, or similar laws of any jurisdiction, and such proceedings remain undismissed for 60 days after commencement, or the Assignor or Guarantor consents to the commencement of such proceedings; (j) any judgment is entered against the Assignor or any Guarantor, or any attachment, levy or garnishment is issued against any property of the Assignor or any Guarantor; (k) the Assignor or any Guarantor dies; (l) the Assignor or any Guarantor, without the Bank's written consent, (i) is dissolved, (ii) merges or consolidates with any third party, (iii) leases, sells or otherwise conveys a material part of its assets or business outside the ordinary course of business, (iv) leases, purchases, or otherwise acquires a material part of the assets of any other corporation or business entity, except in the ordinary course of business, or (v) agrees to do any of the foregoing, (notwithstanding the foregoing, any subsidiary may merge or consolidate with any other subsidiary, or with the Assignor, so long as the Assignor is the survivor); (m) the loan-to-value ratio of any pledged securities at any time exceeds the Bank's limit for securities of the type pledged and such excess continues for five (5) days after notice from the Bank to the Assignor; (n) there is a substantial change in the existing or prospective financial condition of the Assignor or any Guarantor which the Bank in good faith determines to be materially adverse; or (o) the Bank in good faith shall deem itself insecure for any other reason whatsoever.

2. **Grant of Security Interest.** As security for the payment of all Liabilities, the Assignor hereby assigns to the Bank, and grants to the Bank a continuing security interest in the following, whether now or hereafter existing or acquired: the Purchase Agreement(s) and all of Assignor's rights to receive payment thereunder including, but not limited to all Sums Receivable; any certificates of deposit or other property which may from time to time be acquired directly or indirectly using such payments; any promissory note evidencing indebtedness of any Contract Debtor to the Assignor under the Purchase Agreement(s); all rights of the Assignor to any collateral securing the payment or performance of any Contract Debtor's obligations under the Purchase Agreement(s) or any promissory note(s) issued thereunder; all property at any time delivered, pledged, assigned or transferred by the Assignor to the Bank, and any other property of the Assignor of any kind or description, now or hereafter in the possession or control of the Bank for any purpose, and all dividends, distributions on or other rights with respect to any property hereinabove referred to.

3. **Warranties.** The Assignor warrants that: no financing statement covering any of the Collateral is on file in any public office; the Assignor is and will be the lawful owner of all Collateral, free of all liens and claims whatsoever, and the security interest hereunder, with full power and authority to execute this Agreement and perform the Assignor's obligations hereunder, and to subject the Collateral to the security interest hereunder; and all information with respect to the Collateral and the Contract Debtor(s) set forth in Exhibit "A" or in any other certificate or other writing at any time heretofore or hereafter furnished by the Assignor to the Bank, and all other written information heretofore or hereafter furnished by the Assignor to the Bank, is and will be true and correct as of the date furnished.

4. **Collections, etc.** Until such time as the Bank shall notify the Assignor of the revocation of such power and authority, the Assignor will, at its own expense, endeavor to collect, as and when due, all amounts due under the Collateral, including the taking of such action with respect to such collection as the Bank may reasonably request or, in the absence of such request, as the Assignor may deem advisable. The Bank, however, may, at any time whether before or after any revocation of such power and authority or the maturity of any of the Liabilities, notify any parties obligated on any of the Collateral to make payment to the Bank of any amounts due or to become due thereunder and enforce collection of any of the Collateral by suit or otherwise and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon request of the Bank, the Assignor will, at its own expense, notify any parties obligated on any of the Collateral to make payment to the Bank of any amounts due or to become due thereunder.

The Assignor will (except as the Bank may otherwise consent in writing) forthwith, upon receipt, transmit and deliver to the Bank, in the form received, all cash, checks, drafts and other instruments or writings for the payment of money (properly endorsed, where required, so that such items may be collected by the Bank) which may be received by the Assignor at any time in full or partial payment or otherwise as proceeds of any of the Collateral. Except as the Bank may otherwise consent in writing, any such items which may be so received by the Assignor will not be commingled with any other of its funds or property and upon express trust for the Bank until delivery is made to the Bank. The Assignor will comply with the terms and conditions of any consent given by the Bank pursuant to the provisions of this paragraph.

The Bank is authorized to endorse, in the name of the Assignor, any item, howsoever received by the Bank, representing any payment on or other proceeds of any of the Collateral.

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5. Agreements of the Assignor. The Assignor (a) will, upon request of the Bank, execute such financing statements and other documents (and pay the cost of filing or recording the same in all public offices deemed necessary by the Bank) and do such other acts and things, all as the Bank may from time to time request to establish and maintain a valid security interest in the Collateral (free of all other liens, claims and rights of third parties whatsoever) to secure the payment of the Liabilities; (b) will keep, at its address shown above, its records concerning the Collateral, which records will be of such character as will enable the Bank or its designees to determine at any time the status of the Collateral, and the Assignor will not, unless the Bank shall otherwise consent in writing, duplicate any such records at any other address; (c) will furnish the Bank such information concerning the Assignor, the Collateral and the Contract Debtor(s) as the Bank may from time to time reasonably request; (d) will permit the Bank and its designees, from time to time, to inspect, audit and make copies of and extracts from all records and all other papers in the possession of the Assignor pertaining to the Collateral and the Contract Debtor, and will, upon request of the Bank, deliver to the Bank all such records and papers; (e) will, upon request of the Bank, stamp on its records concerning the Collateral, a notation, in form satisfactory to the Bank, of the security interest of the Bank hereunder; (f) will immediately deliver to the Bank, appropriately endorsed to the order of the Bank, any note, trade acceptance, check, paper or other instrument or writing which shall be received by the Assignor and which may at any time evidence any obligation to the Assignor for payments for instruments sold; (g) will not sell, assign or create or permit to exist any lien on or security interest in any Collateral to or in favor of anyone other than the Bank; (h) will deliver to the Bank, upon its request, all dividends, distributions on or other rights with respect to any of the Collateral; (i) will reimburse the Bank for all expenses, including reasonable attorneys' fees and legal expenses, incurred by the Bank in seeking to collect or enforce any rights under the Collateral and, in case of Default, incurred by the Bank in seeking to collect each Note and all other Liabilities and to enforce rights hereunder.

6. Default. Whenever a Default shall be existing, each Note and all other Liabilities may (notwithstanding any provisions thereof), at the option of the Bank, and without demand or notice of any kind, be declared, and thereupon immediately shall become, due and payable, and the Bank may exercise from time to time any rights and remedies available to it under applicable law. Any notification of intended disposition of any of the Collateral required by law shall be deemed reasonably and properly given if given at least five (5) days before such disposition. Any proceeds of any disposition by the Bank of any of the Collateral may be applied by the Bank to the payment of expenses in connection with the Collateral, including reasonable attorneys' fees and legal expenses, and any balance of such proceeds may be applied by the Bank toward the payment of such of the Liabilities, and in such order of application, as the Bank may from time to time elect.

7. General. The Bank shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in its possession if it takes such action for that purpose as the Assignor requests in writing, but failure of the Bank to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of the Bank to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by the Assignor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

Any notice from the Bank to the Assignor, if mailed, shall be deemed given when mailed, postage prepaid, addressed to the Assignor either at the Assignor's address shown above, or at any other address of the Assignor appearing on the records of the Bank.

No delay on the part of the Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

Either the Bank or the Assignor may terminate this Agreement at any time upon written notice to the other of such termination; provided, however, that such termination shall in no way affect, and this Agreement shall remain fully operative as to, any transaction entered into or rights granted or Liabilities incurred prior to the receipt of such notice by the party to whom given. Prior to such termination, this Agreement shall be a continuing Agreement in every respect.

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This Agreement has been delivered at Evanston, Illinois, and shall be construed in accordance with and governed by the laws of the State of Illinois. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision shall be prohibited by or invalid under applicable law, such provisions shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

The rights and privileges of the Bank hereunder shall inure to the benefit of its successors and assigns.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

NBD Bank

By:

Linda M. Siborn
Linda M. Siborn, Assistant Vice President

Waterford East, Inc.,

By:

Walter H. Kilum, Jr. President
Printed Name Title

THIS INSTRUMENT WAS PREPARED BY

Jill Hossain
NBD BANK

By:

George J. Cyrus, Jr. Vice President/Secretary
Printed Name Title

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COOK COUNTY
RECORDER
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EXHIBIT "A"

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Attached to and made a part of that certain Security Agreement
dated December 27, 1994, between Waterford East, Inc.
and NBD Bank

Purchase Agreement(s) dated:	Unit Number:	Purchaser:	Purchase Price:
December 5, 1994	5C	Mary B. Kulser	\$ 145,000.00
December 21, 1994	2S	Adolph Nilsson	\$ 240,000.00

The South 49 feet of Lot 10 in Block 25 in Evanston, in Section 18,
Township 41 North, Range 14, East of the Third principal Meridian
in Cook County, Illinois; which Survey is attached as Exhibit "A"
to the declaration of Condominium Recorded as Document Number
03013454, together with its undivided percentage interest in the
Common Elements.

PIN: 11-18-409-002-0000

Commonly Known As: 1519 Hinman, Evanston, Illinois 60201

12/28/94 0020 MCH 12:15
RECORDING F 33.00
MAILINGS F 0.50
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